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# NSA Intercepts Show Millions Are Missing In Iran Arms Sales

*White House Wanted Shipments Monitored*

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Congressional investigators have assembled a six-inch stack of National Security Agency communications intercepts that show millions of dollars were "either missing or slipping through the cracks" in the Israeli and U.S. arms shipments to Iran, according to an informed source.

As the arms sales operation was getting off the ground in September 1985, Lt. Col. Oliver L. North of the National Security Council staff requested that the NSA intercept telephone calls and messages of some of the main arms dealers and middlemen, sources said. This was because the White House wanted to monitor the transactions and because U.S. officials, including North, were suspicious of the middlemen.

In this era of microwave and satellite transmission of international telephone calls, the NSA has extraordinary ability to intercept phone conversations and other communications of specific persons by using computers to sort through information picked out of the airwaves and elsewhere.

Though the intercepts do not indicate that the missing money was being diverted to aid the contras fighting the government of Nicaragua, the documents vividly demonstrate that the Reagan administration had evidence it was involved with some shady and unreliable arms dealers, the sources said.

Several sources said the congressional investigators were surprised to learn that the Reagan administration would trust the middlemen with information about one of its most secret operations while refusing to inform the Senate and House intelligence committees.

In authorizing direct U.S. arms shipments to Iran, President Reagan said in a Jan. 17, 1986, intelligence order that "due to its ex-

treme sensitivity and security risks, I determine it is essential to limit prior notice and direct the director of central intelligence to refrain from reporting this finding to the Congress . . . ."

The intercepts show squabbling and unhappiness among the arms dealers and middlemen because of delayed payments and confusing payment procedures involving secret numbered bank accounts in Switzerland used by the Central Intelligence Agency, Israel and the arms dealers themselves.

"It was obvious from the beginning in September 1985 that there were financial problems and unhappiness galore," said one source.

As soon as the White House became involved in approving Israeli arms shipments to Iran in the fall of 1985, the sources said, North requested NSA "coverage" of the arms dealers. Manucher Ghorbanifar, an Iranian go-between who was probably the key player in arranging the arms transactions, was targeted by NSA, the highly secret intelligence agency that has the most advanced methods for intercepting communications, the sources said.

North made the request for NSA coverage to Charles Allen, the CIA's national intelligence officer for counterterrorism. Sources said it was approved by other officials, and the arms dealers went on a priority watch list of communications to intercept, translate if necessary, and forward to the CIA and White House.

A source familiar with the intercepts said that the NSA analysts accustomed to reviewing such communications found nothing necessarily unusual because millions of dollars frequently is siphoned off in commissions and other payments when large quantities of sophisticated arms are sold or transferred.

But apparently investigators working with Attorney General Edwin Meese III last November reviewed the intercepts and became suspicious that something unusual was happening with the money used in the arms shipments.

In a nationally televised news conference Nov. 25, Meese said, "In the course of a thorough review of a number of intercepts and other materials, this—the hint of a possibility that there was some monies being made available for some other purpose—came to our attention."

That was the day the White House announced that North had been fired from the NSC staff and his boss, Vice Adm. John M. Poin-dexter, Reagan's national security adviser, had resigned.

Sources said that in one example the intercepts and other intelligence showed that Ghorbanifar charged \$3 million in interest on a shipment of arms last spring. This was the transaction in which Saudi Arabian business Adnan Khashoggi, a group of Canadians and another Arab who has not been identified put up \$15 million. The \$3 million in interest was charged on the \$15 million for 30 days, a rate of 20 percent per month, the sources said.

In the first shipment involving 508 TOW antitank missiles that went to Iran in September 1985, the sources said Khashoggi deposited \$5 million in an Israeli Swiss account as a "bridge" loan. Evidence available to investigators shows that Khashoggi was repaid, that Iran paid at least \$6 million for the missiles, but Israel received only about \$2.5 million for the weapons, leaving at least \$3.5 million as profit to Israeli middlemen and Ghorbanifar.

In the November 1985 shipment of 120 Hawk missiles, the sources said Iran put up about \$42 million, but only \$18 million of that was paid to Israel, which supplied the weapons. As of mid-December 1985, \$24 million was in a Swiss account and investigators have been unable to determine what happened to it.